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TAX 29		DEDUCTION LIST	
SELF-EMPLOYED ITEMIZED LIST			
Accounting		Printing	
Advertising		Rent	
Answering service		Vehicles	
Bad debts from sales or service		Equipment	
Bank charges		Repairs	
Commissions		Security	
Continuing education		Software	
Contract labor		Start up costs	
Delivery and freight		Supplies	
Dues and subscriptions		Taxes and licenses	
Health insurance premiums		Sales tax (included in gross income)	
Insurance		Real estate taxes	
Interest on business loans		Other taxes	
Internet		Telephone	
Laundry and cleaning		Tools	
Legal and professional fees		Travel	
Meals and Entertainment		Uniforms	
Miscellaneous		Utilities	
Office expense		Vehicle expenses	
Outside service		Mileage rate or actual expenses	
Parking and tolls		Wages	
Postage		Any other expenses necessary for the running of or promotion of the business	

Please ask us for additional deduction sheets for job expenses and small business.

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Below you'll find four of the most visible deductions that could ultimately impact how much tax you owe for the year. How To Calculate Your Self-Employment Tax Rate for 2019 is 15.3%, which encompasses the 12.4% Social Security tax and the 2.9% Medicare tax. Self-employment tax applies to your net earnings. For 2019, only the first \$132,900 of your earnings is subject to Social Security tax, but a 0.9% additional Medicare tax may also apply to your self-employment earnings if they exceed \$200,000 if you're a single filer, or \$250,000 if you're filing jointly. As mentioned earlier, to accurately calculate your self-employment tax, you need to calculate your net self-employment earnings for the year which is your self-employment gross income minus your business expenses. Typically, 92.35% of your self-employment net earnings is subject to self-employment tax. Once you have your total net earnings from self-employment that are subject to tax, apply the 15.3% tax rate to determine your total self-employment tax. If you've had a loss or just a little bit of income from self-employment for the year, there are two optional methods to calculate net earnings in the IRS Schedule SE. Read Also: Look Ein Number California Self-Employment Tax By The Franchise Tax Board According to the State of California Franchise Tax Board, IRS self-employment tax consists of Medicare and social security, but the purpose of this article is to explain taxes for California, for self-employed people. The IRS self-employment tax applies to residents who are sole proprietors and earn \$400 or more in profit during the tax year. Residents who are part of a partnership or limited liability company structured as a partnership also owe self-employment tax if they have a profit of \$400 or higher. Home Office Tax Deduction If you're a freelancer or business owner who uses a home office to do work, you may qualify for a home office tax deduction. It doesn't matter whether you rent or own a home. You just have to use the office space regularly and exclusively, per IRS guidelines. And even if you don't meet that requirement, you can claim this deduction if you perform all of your administrative tasks for your business at home and no other location. A home can be a condo, townhouse, backyard shed, boat, etc. To calculate how much you could deduct, the IRS allows you to use the following two methods: Simplified option Regular option With the simplified option, every square foot of space in your office is worth \$5. So, to find out how much you could deduct, you would multiply the square footage of your office by 5. For example, let's say your home office is 300 square feet. In order to calculate the deduction amount, you'd multiply 300 by 5, which gives you \$1,500 the maximum amount you're allowed to deduct using this method. Alternatively, you could use the regular option. Compared to the simplified option, this option is a bit more complex. It requires you to determine how much your home office costs. Do you know how much of your mortgage interest or cost of repairs goes toward your home office? For those of you who keep detailed records, using the regular option could increase your deduction amount. To decide which one to use, calculate the home office deduction using both methods. Read Also: DoorDash Quarterly Taxes Income Tax Withholding Tables The Tax Cuts and Jobs Act of 2017 brought about a number of changes in tax rates and brackets, a drastic increase in the standard deduction, the elimination of personal exemptions, and a new W-4 form. Between 2020 and 2021, many of these changes remain the same. The following are aspects of federal income tax withholding that are unchanged in 2021: No personal exemption Recap alert! Form W-4 changes: Again, the removal of withholding allowances is due to the redesigned IRS Form W-4. In the past, employees could claim more allowances to lower their FIT withholding. But for 2020 Forms W-4 and later, employees can lower their tax withholding by claiming dependents or using the deductions worksheet on the form. You must use this updated Form W-4 for all new hires. Although the sweeping changes to the income tax withholding tables has generally started to stagnate, there are a few updates for 2021. As always, adjust your payroll tax withholding to reflect the 2021 changes to income tax withholding tables. If you use online payroll software, the information automatically updates. Here's a rundown of 2021 updates: Section references are to the Internal Revenue Code unless otherwise noted. For the latest information about developments related to Form 8885 and its instructions, such as legislation enacted after they were published, go to IRS.gov/Form8885. Relatively few people are eligible for the HCTC. See Who Can Take This Credit, later, to determine whether you can claim the credit. Use Form 8885 to elect and figure the amount, if any, of your HCTC. You can elect to take the HCTC only if (a) you were an eligible TAA, ATAA, or RTAA recipient or PBGC payee in 2021; or you were the qualifying family member of an eligible TAA, ATAA, or RTAA recipient or PBGC payee who passed away or finalized a divorce with you (see Continued Qualification for Family Members After Certain Life Events, later); (b) you can't be claimed as a dependent on someone else's 2021 tax return; and (c) you met all of the other conditions listed on line 1. If you can't be claimed as a dependent on someone else's 2021 tax return, review Form 8885, Part I, to see if you are eligible to take this credit. You were an eligible TAA recipient as of the first day of the month if, for any day in that month or the prior month, you: Received a trade readjustment allowance, or Would have been entitled to receive such an allowance except that you hadn't exhausted all rights to any unemployment insurance (except additional compensation that is funded by a state and isn't reimbursed from any federal funds) to which you were entitled (or would be entitled if you applied). Example. You received a trade readjustment allowance for January 2021. You were an eligible TAA recipient as of the first day of January and February. You were an eligible ATAA recipient as of the first day of the month if, for that month or the prior month, you received benefits under an alternative trade adjustment assistance program for older workers established by the Department of Labor. Example.

You received benefits under an alternative trade adjustment assistance program for older workers for October 2021. The program was established by the Department of Labor. You were an eligible ATAA recipient as of the first day of October and November. You were an eligible RTAA recipient as of the first day of the month if, for that month or the prior month, you received benefits under a reemployment trade adjustment assistance program for older workers established by the Department of Labor. Example. You received benefits under a reemployment trade adjustment assistance program for older workers for January 2021. The program was established by the Department of Labor. You were an eligible RTAA recipient as of the first day of January and February. You were an eligible PBGC payee as of the first day of the month if both of the following apply. You were age 55 to 65 and not enrolled in Medicare as of the first day of the month. You received a benefit for that month that was paid by the PBGC under title IV of the Employee Retirement Income Security Act of 1974 (ERISA). If you received a lump-sum payment from the PBGC after August 5, 2002, you meet item (2) above for any month that you would have received a PBGC benefit if you hadn't received the lump-sum payment. Qualifying family members (spouses and dependents) (see Qualifying Family Member, later) can be considered recipients and file Form 8885 under their name and social security number after certain life events. You are considered a recipient and are eligible to newly receive, or continue to receive, the HCTC in the event that a related TAA, ATAA, or RTAA recipient or PBGC payee dies or finalizes a divorce with you and you were a qualifying family member immediately before such event. The TAA, ATAA, or RTAA recipient or PBGC payee doesn't need to elect the HCTC prior to the event. People who are qualifying family members can receive the tax credit for eligible coverage months up to 24 months from the death or divorce, or until the first coverage month that begins on or after January 1, 2022, whichever comes first. Eligibility to receive the HCTC may begin in either the month of the death or divorce or the month following the death or divorce. Example. Your spouse was a PBGC payee and died on August 20, 2020. You are eligible to receive the HCTC as a recipient for coverage for August 2020 through December 2021, subject to the other general HCTC requirements. If you didn't have separate coverage for August, you are eligible to receive the HCTC as a recipient for coverage for September 2020 through December 2021, subject to the other general HCTC requirements.

THE EPIC CHEAT SHEET TO SELF-EMPLOYMENT DEDUCTIONS

- Advertising & Promotion
- Auto Expenses & Mileage
- Bank Fees
- Business Licenses & Permits
- Consultation
- Cost of Goods Sold
- Dues & Subscriptions
- Education
- Equipment Rental
- Gifts Given (professional)
- Home Office
- Insurance
- Interest Expense
- Legal & Professional Fees
- Meals & Entertainment
- Merchant Processing Fees
- Office Expenses
- Repairs & Maintenance
- Subcontractor
- Rent
- Telephone (including cell)
- Travel
- Utilities
- + expenses specific to your industry!

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Qualified health insurance coverage for the HCTC is any of the following. Coverage under a group health plan available through the employment of your spouse, but see the instructions for line 1, later, for information on when enrollment in, or an offer of, employer-sponsored coverage makes you an individual ineligible for the HCTC.

Coverage under a non-group (individual) health insurance plan offered through a Marketplace. Continuation coverage provided by the state under a state law that requires such coverage. A qualified state high-risk pool (as defined in section 2744(c)(2) of the Public Health Service Act). A health insurance program offered for state employees. A state-based health insurance program that is comparable to the health insurance program offered for state employees. An arrangement entered into by a state and (i) a group health plan (including such a plan that is a multiemployer plan as defined in section 3(37) of ERISA), (ii) an issuer of health insurance coverage, (iii) an administrator, or (iv) an employer. A state arrangement with a private sector health care coverage purchasing pool. A state-operated health plan that doesn't receive any federal financial participation. Coverage under a health plan funded by a voluntary employees' beneficiary association (VEBA) that was established through a bankruptcy court. A qualifying family member is: Your spouse (a spouse doesn't include someone who is legally separated from his or her spouse under a decree of divorce or of separate maintenance (but see Married Persons Filing Separate Returns , later)), or Anyone whom you can claim as a dependent (but see the exception for Children of Divorced or Separated Parents, later). For any month that you are eligible to take the HCTC, you can include premiums paid for a qualifying family member for that eligible coverage month if all of the following statements were true as of the first day of that eligible coverage month. The qualifying family member was covered by qualified health insurance coverage for which you paid some or all of the premiums. You and your qualifying family member don't have to be covered by the same coverage. The qualifying family member wasn't enrolled in Medicare Part A, B, or C.

The qualifying family member wasn't enrolled in Medicaid or the Children's Health Insurance Program (CHIP). The qualifying family member wasn't enrolled in the Federal Employees Health Benefits Program (FEHBP) or eligible to receive benefits under the U.S. military health system (TRICARE). The qualifying family member wasn't covered by, or eligible for coverage under, any employer-sponsored health insurance coverage as described in the instructions for line 1, later. If you are an eligible TAA, ATAA, or RTAA recipient or PBGC payee who enrolled in Medicare, you may be able to take the HCTC for coverage of qualifying family members. You can receive the HCTC for the health plan premiums of your qualifying family member(s) for eligible coverage months up to 24 months from the month you enrolled in Medicare, or until the first coverage month that begins on or after January 1, 2022, whichever comes first. In order to receive the HCTC, your qualifying family members must meet all of the requirements described earlier. Your spouse isn't treated as a qualifying family member if you and your spouse file separate returns and either (1) or (2) below applies.

Your spouse was also an eligible TAA, ATAA, or RTAA recipient or PBGC payee in 2021. All of the following apply. You lived apart from your spouse during the last 6 months of 2021. A qualifying family member (other than your spouse) lived in your home for more than half of 2021. You provided over half of the cost of keeping up your home. Even if you can't claim your child as a dependent, he or she is treated as your qualifying family member for the HCTC if both of the following apply. You were the child's custodial parent. Generally, the custodial parent is the parent with whom the child resided for the greater number of nights in 2021. If the counting nights rule applies, and the child resided with each parent for an equal number of nights in 2021, the custodial parent is the parent with the higher adjusted gross income for 2021.

The child's other parent can claim the child as a dependent under the rules for children of divorced or separated parents. See the Instructions for Forms 1040 and 1040-SR, or Pub. 501, Dependents, Standard Deduction, and Filing Information, for details. Conversely, if you can claim your child as a dependent under the special rule for a child of divorced or separated parents but you aren't the child's custodial parent, the child isn't your qualifying family member for purposes of the HCTC. The child must also meet all the other conditions of a qualifying family member, defined earlier, in order for you to claim the HCTC for the qualified health insurance coverage of the child. A qualified health plan offered through a Marketplace isn't qualified health insurance coverage for the HCTC in 2021. And you can't take the premium tax credit (PTC) for any months checked on line 1. However, subject to the general eligibility and election rules for the HCTC and the PTC, you may be able to claim the PTC and the HCTC in the same month for different coverage. For example, if you elect the HCTC for self-only COBRA coverage in a month, you can take the PTC for the Marketplace coverage of your family members for that same month if you and your eligible family members are otherwise eligible to take the PTC and the HCTC, as applicable. You may also be able to claim the HCTC and the PTC for different coverage of the same individuals in different months of the year but need to apply the following special instructions for completing Form 8962. If you elected to take the HCTC or received the benefit of advance payments of the HCTC for at least 1 month of the year and the individual(s) covered under the qualified health insurance coverage for the HCTC were also enrolled in a qualified health plan offered through a Marketplace for at least 1 other month of the year, complete Form 8962 as provided in the Form 8962 instructions, but: Figure your PTC for only those months not checked on Form 8885, line 1; Complete Form 8962, column (f) of lines 12 through 23, for all months for which advance payments of the premium tax credit (APTC) were made, even those months checked on Form 8885, line 1; and If you complete Form 8962, line 27 (Excess advance payment of PTC), determine Form 8962, line 28 (Repayment limitation), as follows.

You must elect the HCTC to receive the benefit of the HCTC. Check the box for the first eligible coverage month you are electing to take the HCTC.

All of the statements listed on the form, and as further explained in these instructions, must be true as of the first day of that month. You must also check the box for each month after the election month for which all of the statements listed on the form are true as of the first day of that month, even if you aren't claiming the HCTC for those months.

Example.

You had health insurance coverage under an employer-sponsored health insurance plan as of October 1. The employer paid 40% of the cost of the coverage. You paid 60% of the cost of the coverage through pre-tax contributions. You can't take the HCTC for the month of October because the employer is considered to have paid 100% of the cost of the coverage.

If your qualified health insurance coverage covers anyone other than you and your qualifying family members, see Pub. 502, Medical and Dental Expenses, before completing line 2 to determine which amounts are considered to be paid for coverage for you and your qualifying family members.. Enter the total amount of insurance premiums paid by you for coverage for you and all qualifying family members under Qualified Health Insurance Coverage , earlier, for all eligible coverage months checked on line 1. But don't include any insurance premiums paid by you to "US Treasury-HCTC." Also don't include any advance monthly payments your health plan administrator received from the IRS, as shown on Form 1099-H, box 1, or any insurance premiums you paid for which you received a reimbursement of the HCTC during the year by filing Form 14095. Example 1. You checked January on line 1. You paid \$225 (\$200 for basic coverage and \$25 for dental benefits which are purchased separately) directly to your health plan for your January coverage. The \$25 you paid for dental benefits is ineligible for the HCTC. You would include the \$200 you paid for your basic insurance on line 2. Example 2. You checked December on line 1. You participated in the advance monthly payment program and paid only \$38 (27.5% of your \$320 December premium) to "US Treasury-HCTC." You received a Form 1099-H showing an advance payment of \$232 (72.5% of the \$320 premium) for your December coverage. You wouldn't include any part of the December coverage premium on line 2 because you already received the benefit of the advance monthly payment program for December. You must still file Form 8885 to elect the HCTC for December. If the resulting amount from line 5 is negative, zero, or blank, you can't claim the HCTC on your income tax return. However, you must still file Form 8885 to elect the HCTC for any months you participated in the advance monthly payment program. You received an excess advance monthly payment of the HCTC if you received the benefit of an advance monthly payment for any month not checked on line 1 (see Form 1099-H) or received a reimbursement of the HCTC during the year by filing Form 14095 for any month not checked on line 1. You must reduce the amount on line 5 by the total of these payments. Use the Excess Advance HCTC Repayment Worksheet to figure the amount of the excess advance monthly payment that you must repay. If you claim any HCTC on line 5, you must provide verifiable proof for each month you are claiming the credit on line 2 that your health insurance coverage is qualified health insurance coverage for the HCTC and that you paid premiums for the qualified health insurance coverage by attaching the documents listed below to your Form 8885. No documents are required if you file Form 8885 only to elect the HCTC for months you participated in the advance monthly payment program. For all health plans, you must include all of the following documents. An official letter reflecting that you were an eligible individual for the months claimed on line 2 in 2021. For trade-certified individuals demonstrating TAA, ATAA, or RTAA eligibility—A copy of the official letter from the Department of Labor, your state workforce agency, or employment office stating you are eligible for trade adjustment benefits. For PBGC eligibility—A copy of the official letter or a copy of your 2021 Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., from the PBGC showing you received a benefit paid by the PBGC. A copy of your health insurance bills or COBRA payment coupons for each month you are claiming the credit on line 2.* The bills must have: Your name (or name of the policy holder), The name of your health plan, Your monthly premium amount, Dates of coverage, and Your health plan identification number(s). *If your health plan doesn't provide members with an insurance bill or COBRA payment coupon, you must provide health plan enrollment documents or an official letter from your health plan that has the required information listed under items 2a through 2e above. If your monthly premium includes amounts that don't count towards the HCTC, such as dental or vision coverage or coverage for family members who aren't eligible for the HCTC, your documentation must also specify those ineligible amounts. Proof of payment for each month you are claiming the credit on line 2, such as:** Canceled checks (copy of front and back), Bank statements, Credit card statements, or Money orders. **Your proof of payment must indicate the amount paid and to whom it was paid. If you don't have one of these types of proof of payment, contact your health plan for a record of your payment(s). You must include the information under All health plans, earlier, and one of the following documents. A copy of your completed and signed COBRA Election Letter. It may also be called a COBRA Enrollment Form, Application Form, Enrollment Application for Continuing Coverage, or Election Agreement. A letter from your former employer or COBRA administrator saying you have COBRA coverage. The letter must have: The COBRA coverage start and end dates; Name of the health plan; Your home address; and Covered family members, their dates of birth, their relationship to you, and their social security numbers. A copy of "Notice of Rights to Continue Coverage." You must include the information under All health plans, earlier, and the following documents. Copies of paycheck stubs showing the health coverage deductions for each month you are claiming the credit on line 2. A letter or other statement from your spouse's employer that states the employer contributed less than 50% of the cost of the coverage (TAA recipients and PBGC payees) or made no contributions to the cost of coverage (ATAA and RTAA recipients). If you e-file, you can attach a copy of any required documents to an electronically filed return as a PDF if your tax software supports it, or you must attach those documents to Form 8453, U.S. Individual Income Tax Transmittal for an IRS e-file Return, and mail them to the IRS according to the instructions for that form. Example 1.

You checked June and July on line 1.

Your insurance coverage for each month costs \$750 (\$500 for you and \$250 for your qualifying family members). You paid \$750 directly to your health plan for your June coverage. You then paid \$206.25 (27.5% of the \$750 premium) for your July coverage as part of the advance monthly payment program. Your health plan administrator received an advance payment of \$543.75 (72.5% of the \$750 premium) from the IRS for your July coverage. You received a Form 1099-H showing an advance payment of \$543.75 for your July coverage. You would include the \$750 you paid for your June coverage on line 2. You wouldn't include any part of the July coverage premium on line 2 because you already received the benefit of the advance monthly payment program for July. You must attach copies of your health insurance bills and proof of payment for the June coverage for you and your qualifying family members totaling \$750, along with any other required documents. You don't need to attach documents for your July coverage. Example 2. You checked March and April on line 1. Your insurance coverage for each month costs \$750 (\$500 for you and \$250 for your qualifying family members). You paid \$750 directly to your health plan for each month. You would include \$1,500 on line 2 for the March and April coverage. You must attach copies of your health insurance bills and proof of payment for the March and April coverage for you and your qualifying family members totaling \$1,500 (\$750 for each month), along with any other required documents.